



**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007



Mary Taylor, CPA
Auditor of State

VILLAGE OF MARBLEHEAD
OTTAWA COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2007	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2007	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2006.....	7
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2006.....	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings	21
Schedule of Prior Audit Findings	29

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Mary Taylor, CPA
Auditor of State

Village of Marblehead
Ottawa County
513 West Main Street, P.O. Box 306
Marblehead, Ohio 43440-0306

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 5, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Marblehead
Ottawa County
513 West Main Street, P.O. Box 306
Marblehead, Ohio 43440-0306

To the Village Council:

We have audited the accompanying financial statements of the Village of Marblehead, Ottawa County, (the Village) as of and for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audits to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2007 and 2006, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2007 and 2006, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of Marblehead, Ottawa County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 2, the Village changed the classification of a fund previously classified as an agency fund.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audits.



Mary Taylor, CPA
Auditor of State

June 5, 2008

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$402,344				\$402,344
Intergovernmental	167,349	\$75,985			243,334
Special Assessments			\$35,351		35,351
Charges for Services	24,900	205,500			230,400
Fines, Licenses and Permits	9,936	22,733			32,669
Earnings on Investments	16,148	24			16,172
Miscellaneous	52,688	38,987		\$1,175	92,850
Total Cash Receipts	673,365	343,229	35,351	1,175	1,053,120
Cash Disbursements:					
Current:					
Security of Persons and Property	287,738	152,077			439,815
Public Health Services	15,303				15,303
Leisure Time Activities	11,498				11,498
Community Environment		10,055			10,055
Transportation		98,410			98,410
General Government	132,466		134		132,600
Debt Service:					
Redemption of Principal	10,000	38,409	18,000		66,409
Interest and Fiscal Charges		10,293	18,450		28,743
Capital Outlay		49,365		3,071	52,436
Total Cash Disbursements	457,005	358,609	36,584	3,071	855,269
Total Receipts Over/(Under) Disbursements	216,360	(15,380)	(1,233)	(1,896)	197,851
Other Financing Receipts / (Disbursements):					
Sale of Fixed Assets	3,535				3,535
Transfers-In		30,000			30,000
Transfers-Out	(30,000)			(7,756)	(37,756)
Advances-In			899		899
Advances-Out			(899)		(899)
Other Financing Uses	(318)	(7,646)			(7,964)
Total Other Financing Receipts / (Disbursements)	(26,783)	22,354		(7,756)	(12,185)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	189,577	6,974	(1,233)	(9,652)	185,666
Fund Cash Balances, January 1	613,956	311,412	56,395	14,552	996,315
Fund Cash Balances, December 31	\$803,533	\$318,386	\$55,162	\$4,900	\$1,181,981
Reserve for Encumbrances, December 31	\$9,415	\$2,720			\$12,135

The notes to the financial statements are an integral part of this statement

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$571,775
Operating Cash Disbursements:	
Personal Services	155,795
Employee Fringe Benefits	78,368
Contractual Services	79,806
Supplies and Materials	76,725
Other	2,100
Total Operating Cash Disbursements	392,794
Operating Income	178,981
Non-Operating Cash Receipts:	
Special Assessments	26,546
Earnings on Investments	6
Miscellaneous Receipts	10,888
Total Non-Operating Cash Receipts	37,440
Non-Operating Cash Disbursements:	
Capital Outlay	39,496
Redemption of Principal	33,944
Interest and Other Fiscal Charges	27,835
Total Non-Operating Cash Disbursements	101,275
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	115,146
Transfers-In	18,998
Transfers-Out	(11,242)
Advances-In	13,185
Advances-Out	(13,185)
Net Receipts Over Disbursements	122,902
Fund Cash Balances, January 1	186,535
Fund Cash Balances, December 31	\$309,437
Reserve for Encumbrances, December 31	\$26,895

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$355,350				\$355,350
Intergovernmental	158,281	\$77,310		\$116,580	352,171
Special Assessments			\$14,625	72,796	87,421
Charges for Services	25,350	228,250			253,600
Fines, Licenses and Permits	12,460	9,486			21,946
Earnings on Investments	8,117	459			8,576
Miscellaneous	49,227	2,855		8,833	60,915
	<u>608,785</u>	<u>318,360</u>	<u>14,625</u>	<u>198,209</u>	<u>1,139,979</u>
Total Cash Receipts					
Cash Disbursements:					
Current:					
Security of Persons and Property	261,140	128,148			389,288
Public Health Services	15,023				15,023
Leisure Time Activities	6,726				6,726
Community Environment		11,749			11,749
Transportation	6,300	92,440			98,740
General Government	153,557		287		153,844
Debt Service:					
Redemption of Principal	10,000	38,409	248,700		297,109
Interest and Fiscal Charges		13,944	9,771		23,715
Capital Outlay	481	7,348		228,637	236,466
	<u>453,227</u>	<u>292,038</u>	<u>258,758</u>	<u>228,637</u>	<u>1,232,660</u>
Total Cash Disbursements					
Total Receipts Over/(Under) Disbursements	<u>155,558</u>	<u>26,322</u>	<u>(244,133)</u>	<u>(30,428)</u>	<u>(92,681)</u>
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Bonds			265,000		265,000
Sale of Fixed Assets	30,250				30,250
Transfers-In		20,000			20,000
Transfers-Out	(20,000)				(20,000)
	<u>10,250</u>	<u>20,000</u>	<u>265,000</u>		<u>295,250</u>
Total Other Financing Receipts / (Disbursements)					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>165,808</u>	<u>46,322</u>	<u>20,867</u>	<u>(30,428)</u>	<u>202,569</u>
Fund Cash Balances, January 1	<u>448,148</u>	<u>265,090</u>	<u>35,528</u>	<u>44,980</u>	<u>793,746</u>
Fund Cash Balances, December 31	<u><u>\$613,956</u></u>	<u><u>\$311,412</u></u>	<u><u>\$56,395</u></u>	<u><u>\$14,552</u></u>	<u><u>\$996,315</u></u>
Reserve for Encumbrances, December 31	<u><u>\$20,517</u></u>	<u><u>\$3,466</u></u>		<u><u>\$3,071</u></u>	<u><u>\$27,054</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$474,932
Operating Cash Disbursements:	
Personal Services	150,420
Employee Fringe Benefits	62,476
Contractual Services	66,823
Supplies and Materials	52,839
Other	1,000
Total Operating Cash Disbursements	333,558
Operating Income	141,374
Non-Operating Cash Receipts:	
Special Assessments	26,623
Earnings on Investments	29
Sale of Fixed Assets	556
Miscellaneous Receipts	697
Total Non-Operating Cash Receipts	27,905
Non-Operating Cash Disbursements:	
Capital Outlay	40,091
Redemption of Principal	32,988
Interest and Other Fiscal Charges	29,614
Total Non-Operating Cash Disbursements	102,693
Excess of Receipts Over Disbursements Before Interfund Transfers and Advances	66,586
Transfers-In	17,719
Transfers-Out	(17,719)
Advances-In	23,453
Advances-Out	(23,453)
Net Receipts Over Disbursements	66,586
Fund Cash Balances, January 1	119,949
Fund Cash Balances, December 31	\$186,535
Reserve for Encumbrances, December 31	\$17,973

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Marblehead, Ottawa County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides, general government services, water utilities, cemetery operations (public health services), park operations (leisure time activities), zoning operations (community environment), street and highway (transportation) services, and police, fire and emergency medical (security of persons and property) services. The Village appropriates general fund money to support a volunteer fire department.

The Village participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entities Pool of Ohio (the "Pool"):
The Pool provides property and casualty insurance for its members.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The investment in STAR Ohio is valued at amounts reported by the State Treasurer.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Fire Department Fund – This accounts for the fire and emergency medical services operations. The primary source of revenue arises from contracts with other subdivisions for providing these services.

3. Debt Service Funds

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant Debt Service Funds:

Island View General Obligation Bond Fund - This fund receives the proceeds of general obligation bonds. The proceeds are being used to payoff the bond anticipation notes from improvements to Harsh Road and installation of the waterline.

Manko Special Assessment Fund – This fund receives special assessments to repay a special assessment project.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise funds). The Village had the following significant Capital Project Funds:

Island View Bond Fund – This fund receives the proceeds of notes and special assessments for the purpose of improving Harsh Road and installing a six inch waterline.

Issue II Fund – This fund receives on-behalf-of proceeds from the Ohio Public Works Commission for the Island View waterline project.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Fund:

Water Fund - This fund receives charges for services from residents to cover water service costs.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 4.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. FUND RECLASSIFICATION AND RESTATEMENT OF FUND BALANCES

The Village Officer's Handbook sets forth the prescribed funds and fund structure for the Village. Beginning in fiscal year 2006, the Village fund previously classified as an agency fund was reclassified to an enterprise fund as the Village deemed this classification more appropriate based on review of the updated Village Officer's Handbook. This change in classification and restatement had the following effect on the fund balances previously reported for the year ending December 31, 2005:

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. FUND RECLASSIFICATION AND RESTATEMENT OF FUND BALANCES – (CONTINUED)

	<u>Enterprise Funds</u>	<u>Agency Fund</u>	<u>Total</u>
Fund Balance at December 31, 2005	\$117,299	\$2,650	\$119,949
Fund Reclassification	<u>2,650</u>	<u>(2,650)</u>	<u> </u>
Restated Fund Balance at January 1, 2006	<u>\$119,949</u>	<u> </u>	<u>\$119,949</u>

3. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	<u>2007</u>	<u>2006</u>
Demand deposits	\$1,490,209	\$1,181,681
Cash on Hand	<u>400</u>	<u>400</u>
Total deposits	<u>1,490,609</u>	<u>1,182,081</u>
STAR Ohio	<u>809</u>	<u>769</u>
Total deposits and investments	<u>\$1,491,418</u>	<u>\$1,182,850</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Village.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2007 and 2006 follows:

<u>2007 Budgeted vs. Actual Receipts</u>			
<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General		\$676,900	\$676,900
Special Revenue		373,229	373,229
Debt Service		35,351	35,351
Capital Projects		1,175	1,175
Enterprise		<u>628,213</u>	<u>628,213</u>
Total		<u>\$1,714,868</u>	<u>\$1,714,868</u>

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. BUDGETARY ACTIVITY – (CONTINUED)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$888,117	\$496,738	\$391,379
Special Revenue	579,006	368,975	210,031
Debt Service	78,894	36,584	42,310
Capital Projects	22,447	10,827	11,620
Enterprise	646,788	532,206	114,582
Total	<u>\$2,215,252</u>	<u>\$1,445,330</u>	<u>\$769,922</u>

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$639,035	\$639,035
Special Revenue		338,360	338,360
Debt Service		279,625	279,625
Capital Projects		198,209	198,209
Enterprise		520,556	520,556
Total		<u>\$1,975,785</u>	<u>\$1,975,785</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$760,000	\$493,744	\$266,256
Special Revenue	492,309	295,504	196,805
Debt Service	15,015	258,758	(243,743)
Capital Projects	323,950	231,708	92,242
Enterprise	636,885	471,943	164,942
Total	<u>\$2,228,159</u>	<u>\$1,751,657</u>	<u>\$476,502</u>

Budgetary expenditures exceeded appropriation authority in the Island View G.O. Bond Fund by \$243,456, Island View Bond Fund by \$15,536, Waterline Extension Barnhill Fund by \$556, Manko Special Assessment Fund by \$287 and in the OLEBG Overtime Fund by \$90 for the year ended December 31, 2006.

The Fiscal Officer did not certify the total amount available from all sources available for expenditures from each fund along with any unencumbered balances to the county auditor for both years of the audit period.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

4. BUDGETARY ACTIVITY – (CONTINUED)

Appropriations exceeded estimated resources for all funds for both years of the audit period.

The Fiscal Officer did not properly certify expenditures prior to their obligations.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

6. DEBT

Debt outstanding at December 31, 2007, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$108,059	7.36%
General Obligation Bonds - 1998	375,000	4.35 - 5.00%
Fire Truck Loan	145,227	5.25%
General Obligation Bonds - 2006	<u>260,000</u>	4.10 - 5.25%
Total	<u><u>\$888,286</u></u>	

The Ohio Water Development Authority (OWDA) loan relates to a water plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA loan total was \$241,301. The loan will be repaid in semiannual installments of \$11,462, including interest, over twenty-five year period. The first semiannual installment was made January 1, 1989. The loan is collateralized by water receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The 1998 General Obligation Bonds relate to a water line extension project. The bonds were issued in 1998, in the amount of \$525,000, and will be repaid over a twenty-year period.

The Fire Truck Loan relates to the purchase of a fire truck. It consists of a \$242,045 loan being paid over a five year period.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. DEBT – (CONTINUED)

The 2006 General Obligation Bonds relate to improving Harsh Road and installing a six inch waterline. The bonds were issued in 2006, in the amount of \$265,000, and will be repaid over a twenty-year period.

The Village's taxing authority collateralizes General Obligation Bonds.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loan	General Obligation Bonds - 1998	Fire Truck Loan	General Obligation Bonds - 2006
2008	\$22,924	\$43,425	\$56,160	\$22,904
2009	22,924	42,338	53,563	22,484
2010	22,924	41,250	50,986	22,059
2011	22,924	40,000		21,631
2012	22,924	43,750		21,198
2013 - 2017	22,924	210,500		104,247
2018 - 2022		86,000		107,813
2022 - 2026				90,500
Total	<u>\$137,544</u>	<u>\$507,263</u>	<u>\$160,709</u>	<u>\$412,836</u>

7. RETIREMENT SYSTEMS

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2007 and 2006, OPERS members contributed 9.5 and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

8. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006, PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

8. RISK MANAGEMENT – (Continued)

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$37,000. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2005	\$29,035
2006	\$30,694
2007	\$32,195

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

10. RELATED PARTY TRANSACTIONS

A Village Council member is owner of a store from which the Village acquired various hardware supplies during the audit period. The Village paid \$2,009 during 2006 and \$2,468 during 2007 for these items.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Marblehead
Ottawa County
513 West Main Street, P.O. Box 306
Marblehead, Ohio 43440-0306

To the Village Council:

We have audited the financial statements of the Village of Marblehead, Ottawa County (the Village) as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated June 5, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America and the Village reclassified a fund previously reported as an agency fund. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in

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accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 and 2007-006 through 2007-008.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2007-001 and 2007-008 are also material weaknesses.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated June 5, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-006.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 5, 2008.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the audit committee, management, and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

June 5, 2008

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance Citation/Material Weakness

Chapter 5705 of the Revised Code sets forth a scheme that provides for a uniform budget and appropriation process in order to assure that a governmental entity expends no more than it expects to receive in revenue. In order to accomplish this end, all appropriations must be accounted to and from each appropriation fund. While federal and state loans and grants are deemed appropriated and in the process of collection so as to be available for expenditure, they must still be recorded. R.C. 5705.42. Thus, a mechanism is still required to account for receipt and expenditure. That mechanism is an amendment of, or a supplement to, the entity's estimated resources, or its appropriation measure, which shall comply with all provisions of law governing the taxing authority in making an original appropriation. R.C. 5705.40. An original appropriation measure must be passed by the taxing authority, and any amendment of, or supplement to, that measure also requires legislative action. R.C. 5705.38.

In 2006 the Village was the beneficiary of \$116,580 of Ohio Public Work Commission (OPWC) money sent directly to the vendor by OPWC and to the Village. The Fiscal Officer recorded this activity in a debt service fund rather than a capital project fund. However, Auditor of State Bulletin 2000-008 and 2002-004 prescribe recording these transactions as receipts and disbursements in a capital project fund when the Village applies for a project and has administrative responsibilities. The accompanying financial statements and budgetary activity were adjusted to reflect these amounts in a Capital Project Fund rather than a Debt Service Fund.

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Council, to identify and correct errors and omissions, as well as establishing the correct funds to present Village grant activity. The Fiscal Officer can review Auditor of State Bulletins 2000-008 and 2002-004 for accounting guidance for certain on-behalf-of grants or improvement projects.

Client Response:

IN the future, any monies received for, or disbursed to vendors from the Ohio Public Works Commission (OPWC) or other entity providing on-behalf-of-grants or improvement projects will be recorded in a Capital Project Fund

FINDING NUMBER 2007-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village Council has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This exception does not eliminate any otherwise applicable requirement for approval of expenditures by the Village Council.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a sum not exceeding an amount established by resolution or ordinance by the members of the legislative authority against any specific line item account over a period not running beyond the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year (or quarterly spending plan for counties). More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Fiscal Officer did not properly certify the availability of funds prior to purchase commitment for 36 percent of expenditures tested and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. The Village Council has, to date, not established the maximum blanket certificate amount by formal resolution or ordinance.

**FINDING NUMBER 2007-002
 (Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used, with appropriate legislative approval following within thirty days.

We recommend the Fiscal Officer certify all purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41 (D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation. Also, the Village Council should establish, by formal resolution or ordinance, the desired maximum amount of blanket certificates. We also made this comment in the management letter for audit of the 2005 and 2004 financial statements.

Client Response:

The Fiscal Officer will certify the availability of funds prior to purchase commitment. The Village Council will establish, by formal resolution or ordinance, the maximum amount of blanket certificates.

FINDING NUMBER 2007-003

Noncompliance Citation

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. Our testing of budgetary compliance at December 31, 2006 identified the following instances in which expenditures exceeded appropriations in the following funds:

<u>Fund Types/Funds</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Fund Type:			
OLEBG Overtime Fund		\$90	(\$90)
Debt Service Fund Type:			
Island View G.O. Bond Fund		243,456	(243,456)
Manko Special Assessments Fund	15,015	15,302	(287)
Capital Project Fund Type:			
Island View Bond Capital Project Fund	106,000	121,536	(15,536)
Enterprise Fund Type:			
Barnhill Waterline Extension Fund	40,165	40,721	(556)

Management was advised that the failure to have adequate appropriations in place at the time of the expenditures are being made could result in expenditures to exceed available resources, further resulting in deficit spending practices.

**FINDING NUMBER 2007-003
(Continued)**

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Village Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Client Response:

Any future payment requests exceeding appropriations will be denied by the Fiscal Officer until the Village Council approves increased expenditure levels by increasing appropriations and if necessary obtaining an Amended Certificate of Estimated Resources from the County Auditor.

FINDING NUMBER 2007-004

Noncompliance Citation

Ohio Revised Code § 5705.36(A)(1) requires that on or about the first day of each fiscal year, the fiscal officer shall certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year. The Fiscal Officer did not submit the required certifications to the Ottawa County Auditor for both years of the audit period. This prohibited the Ottawa County Auditor from issuing an Amended Official Certificate of Estimated Resources shortly after the beginning of each fiscal year. The failure to file the required certifications and obtain Amended Official Certificates of Estimated Resources results in budgetary non-compliance as well as the inability to enter County Budget Commission-approved estimated receipts to the Village's accounting system, which could allow for inaccurate information to be used in decision making. The Fiscal Officer should certify the total amount available from all sources for expenditures and any unencumbered fund balances for each fund to the Ottawa County Auditor on or about the first day of each fiscal year.

Client Response:

The Fiscal Officer has subsequently submitted balances to the County Auditor for fiscal year 2007 and obtained an Amended Certificate of Estimated Resources, in order to enter approved estimated receipts to the Village accounting system for budgetary purposes. Year end balances for fiscal year 2008 and beyond will be certified to the County Auditor on or about the first day of each fiscal year by the Fiscal Officer of the Village. In addition, the Village Council will review and acknowledge the timely submission of year end fund balances and receipt of the Amended Certificate of Estimated Resources.

FINDING NUMBER 2007-005

Noncompliance Citation

Ohio Revised Code § 5705.39 provides in part that the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission.

All funds which had appropriations approved by the Village Council were in violation of this requirement. The following table summarizes fund types that had appropriations exceeding estimated resources:

<u>Fund Type</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Year Ending December 31, 2006:			
General		\$760,000	(\$760,000)
Special Revenue		491,346	(491,346)
Debt Service		15,015	(15,015)
Capital Projects		218,824	(218,824)
Enterprise		635,826	(635,826)
Year Ending December 31, 2007:			
General		867,600	(867,600)
Special Revenue		565,540	(565,540)
Debt Service		78,894	(78,894)
Capital Projects		19,376	(19,376)
Enterprise		628,814	(628,814)

The Fiscal Officer did not submit the fund balances and amounts available for expenditure to the Ottawa County Auditor for either year of the audit period. As a result, the County Auditor did not issue an Amended Certificate of Estimated Resources to the Village and could not certify that appropriations do not exceed such certificate.

The failure to obtain an Amended Certificate of Estimated Resources and limit appropriations to amounts certified could allow for deficit spending practices, resulting in deficit fund balances.

The Fiscal Officer should certify fund balances and amounts available for expenditure to the Ottawa County Auditor on or about the first day of the fiscal year. Once an Amended Certificate of Estimated Resources is received, the Fiscal Officer should monitor appropriations as compared to estimated resources and submit amendments to the County Budget Commission or reduce appropriations if sufficient revenues are not available.

Client Response:

The Fiscal Officer will certify fund balances and amounts available for expenditure to the Ottawa County Auditor on or about the first day of the fiscal year in order to obtain an Amended Certificate of Estimated Resources. The Village Council will review and acknowledge the timely submission of year end balances and receipt of the Amended Certificate of Estimated Resources.

**FINDING NUMBER 2007-005
 (Continued)**

The Fiscal Officer will monitor appropriations as compared to estimated resources and submit amendments to the County Auditor or reduce appropriations if sufficient revenues are not available. The Village Council will review monthly financial reports presented by the Fiscal Officer to reduce the potential of deficit spending practices and maintain positive fund balances.

FINDING NUMBER 2007-006

Noncompliance Citation/Significant Deficiency

The Agreement Regarding The Purchase of Fire Engine Dated 11/17/2005 Section 4 requires that the Village of Marblehead shall contribute Ten Thousand and 00/100 (\$10,000) Dollars annually from the General Fund to the annual principal payments due under said loan. The Fiscal Officer did not contribute the required \$10,000 from the General Fund for the year ending December 31, 2006.

The Fiscal Officer made the following adjustment which is reflected in the accompanying financial statements on June 5, 2008:

Fund	Fund Balance 12/31/06	Adjustment	Adjusted Fund Balance 12/31/06
General Fund	\$623,956	(\$10,000)	\$613,956
Fire Department Fund	210,059	10,000	220,059

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Council, to identify and correct errors and omissions, as well as completing all debt related covenants. Future loan payments should be made in accordance with the agreement dated November 17, 2005.

Client Response:

The Village Council agrees with the aforementioned fund adjustment. In addition the Fiscal Officer along with the Village Council will ensure that all future loan payments are made in accordance with the agreement dated November 17, 2005.

**FINDING NUMBER 2007-007
(Continued)**

Significant Deficiency

Cash Reconciliation

The savings account balances on the Uniform Accounting Network (UAN) system did not match the actual balances in these accounts at December 31, 2007. The bank balances were \$1,019.93 more than the fund balances due to the Fiscal Officer not being aware that she was required to post the interest to the investment accounts on the UAN system in order for them to agree.

Accurate completion of monthly reconciliations is a key component of internal controls. In order to perform accurate bank reconciliations and to resolve any differences in a timely manner, the Fiscal Officer should ensure the balances in these accounts at the end of the month agree with the actual statements and investigate any differences promptly. We also made this comment in the management letter for audit of the 2005 and 2004 financial statements.

Client Response:

Interest will be posted to investment accounts through the Uniform Accounting System (UAN) on a monthly basis by the Fiscal Officer in order for the actual balances in the savings accounts to match the UAN system. Village Council will monitor and acknowledge the reconciliation of all savings accounts along with the reconciliation of the primary checking account.

FINDING NUMBER 2007-008

Material Weakness

Financial Reporting

We found the following errors requiring adjustment to the financial statements:

- We reclassified special assessments paid directly by property owners from Other Financing Sources to Special Assessments in the Island View Bond Capital Projects fund during 2006 in the amount of \$72,796.
- We reclassified a debt service payment that was incorrectly recorded as an Advance Out to the appropriate Debt Service – Principal and Debt Service – Interest line items in the Water fund during 2006.
- We adjusted estimated receipts in the accounting system to \$0 for all funds during 2006 and 2007 to reflect the failure to certify year-end balances to the county auditor and obtain an Amended Official Certificate of Estimated Resources.
- We adjusted appropriations in the Island View General Obligation Bond fund, Island View Bond Capital Projects fund, Manko Special Assessment fund, Water fund and Barnhill Waterline Extension fund in order to bring reported appropriations in line with Council-authorized amounts in the following amounts respectively, (\$243,456), (\$22,852), (\$750), \$28,000, and (\$90).

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

**FINDING NUMBER 2007-008
(Continued)**

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and Council, to identify and correct errors and omissions, as well as recording correct budgetary information. Also, the Fiscal Officer can refer to the UAN accounting manual available from the following web address for guidance on the posting of transactions:
http://uanlink.auditor.state.oh.us/pdf/uan_win_software/AccountingManual.pdf.

Client Response:

To ensure the accuracy and completeness of financial statements the Village Council will work with the Fiscal Officer to adopt policies and procedures that include final review of the statements to record correct budgetary information, and to identify and correct errors and omissions. The Fiscal Officer will refer to the UAN accounting manual for guidance on the posting of transactions and will utilize available resources to ensure the accuracy of reporting.

**VILLAGE OF MARBLEHEAD
OTTAWA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Finding for Recovery – Overpayment of employee wages.	Yes	
2005-002	Ohio Rev. Code Section 5705.41(B) – Expenditures exceeding appropriations.	No	Repeated in this report as Finding 2007-003.



Mary Taylor, CPA
Auditor of State

VILLAGE OF MARBLEHEAD

OTTAWA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 1, 2008**